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SUBJECT: WTO METING TO MONITOR ACTION IN RESPONSE TO THE GLOBAL
ECONOMIC SITUATION

11. Summary - On April 14 the WTO held a meeting of the WTO's Trade Policy Review Body (TPRB) for the purposes of monitoring actions taken by WTO Members and observers in response to the global economic situation. The meeting was relatively low key and non-contentious. Members refrained from finger pointing, though China complained that the Secretariat's report for the meeting went too easy on the United States on one issue. In introducing the written report to the meeting, DG Lamy noted that the economic situation has deteriorated since the WTO's last meeting on the issue in February. He reported that the pressure for protectionist measures was increasing and while there was no widespread resort to protectionism, he saw some slippage and danger of an incremental buildup. Delegations that spoke were generally of one mind in welcoming the DG's report, stressing the importance of avoiding protectionism and in declaring their support for concluding the DDA negotiations to strengthen the WTO as a bulwark against protectionism. Many speakers welcomed the G20's pledge on avoiding protectionism and a number of Members mentioned that they were working on their own "standstill" commitment. Several Members expressed concern that the number of trade remedy actions was increasing while others attempted to introduce this issue of compliance with WTO dispute settlement rulings as germane to the monitoring process. Some Members also suggested that the financial crisis highlighted the need for serious work in the WTO on subsidies for services industries. DG Lamy announced that the Secretariat's next monitoring report will be issued in mid-June and the next meeting of the TPRB in this monitoring mode will take place at the end of June. End Summary

12. Members were generally happier with the Secretariat's report for this meeting than the one that was prepared for the TPRB meeting on this same subject in February. This stemmed largely from the fact that the Secretariat invited input from Members and gave each Member that was mentioned in the report and opportunity to comment on anything that was said about them. However, there were grumblings from a few Members. China complained that the Secretariat had gone easy on the United States in mentioning a Congressional ban affecting poultry imports from China - by contrast he stated that the report's characterization of the Chinese ban on Irish pork had not received commensurate kid glove treatment. Their complaint was about language in the listing saying that the action was taken for health reasons - a view they contest. Mexico was also unhappy with a reference to the temporary suspension of tariff privileges for the United States that had been put in place because of the trucking issue, noting that these measures had been necessitated by U.S. failure to meet its NAFTA commitments. Ecuador complained that the Secretariat had not taken its advice to include non-compliance with dispute settlement rulings (e.g., bananas) in its report. Cuba seconded them. Russia said that 20 percent (6 individual items) of the listings in the Secretariat report dealing with them were incorrect.

13. Most statements by delegations were limited to the general points in the summary above but a few interventions stood out. India said that the G20 recognized that the pledge to avoid protectionism could fall on deaf ears, and therefore included new

language calling for rollback of transgressions. India noted that doomsday predictions of a return to Smoot/Hawley had proven to be misplaced. The India rep said it was wrong to think that the current situation was the result of some bad decisions by U.S. banks. There are structural issues that need to be addressed. No country can expect that its debts will perpetually be financed by others. A new equilibrium will also require changes regarding currencies. He said that we need to pay particular attention to trade distorting subsidies since they put developing countries at a serious disadvantage and can be hard to reverse. He expressed particular concern about countercyclical agriculture subsidies since they forestall adjustment and leveled a similar criticism of subsidies to the automotive and steel industries. He called for more serious attention to the issue of subsidies for services industries. The Indian rep said he was intrigued by the WTO's estimate that a successful DDA would be worth \$150 billion to the global economy, citing various estimates by others that had ranged from \$40 billion to \$400 billion. He recalled that a former U.S. Ambassador to India had said that the role of economic forecasters was to make astrologers look reputable. He expressed interest in seeing details on the WTO's forecast, including an indication of who the beneficiaries would be. The U.S. rep joined him in expressing interest in further details.

14. Brazil expressed concern that efforts to resist protectionism are slipping and, as in the past, laid the blame at the feet of the developed countries. The Brazilian rep expressed concern that subsidies for cotton and dairy were already increasing and said that the continuation of cotton subsidies in the face of adverse dispute settlement ruling raised questions about the credibility of the system. He recognized that stimulus measures are needed, but argued that best practice was subsidies aimed at consumption. He further noted that measures aimed at "buy national", while possibly consistent with WTO rules, are unhelpful and send all the wrong signals at this time.

15. The EU rep noted that the EU has refrained from raising tariffs and continued to meet its commitments. Its dairy subsidies are within WTO rules and are of limited scope and duration. He insisted that trade remedy measures are legitimate, noting that while the EC's use of them has not increased much, the same cannot be said for some of the emerging economies.

16. The U.S. rep said that our current assessment is that the system is working pretty well to ward off protectionism. However, the system is being sorely tested and continuing vigilance is important. In this regard, he noted the importance of the WTO's standing committees and called for Members to provide renewed energy to this day-to-day work.

17. The Australian rep expressed concern with statements suggesting that protectionism was not a great threat. He noted that unemployment was still on the rise and that protectionist pressure will increase. He also noted that claims that trade distortive measures (e.g., EC dairy subsidies) are WTO consistent miss the point.

18. Hong Kong China welcomed the G20's commitment on protectionism and said that it was working with several other countries on their own "standstill" commitment. Switzerland, Turkey, Chile, Singapore and New Zealand mentioned in their statements that they support this effort.

19. Ecuador made a strong plea for understanding of trade measures it has implemented for balance of payments reasons. The Ecuadoran rep noted that its options are limited since Ecuador uses the dollar as its currency and therefore cannot have a monetary policy and that Ecuador has lost 2 million people to emigration.

110. In one of the more remarkable interventions of the day, the Indonesian rep called on other Members to follow its example of restraint, notwithstanding the lengthy list of new Indonesian trade restrictions in the Secretariat's report.

111. Another point made by several Members, in particular Turkey, Singapore, Colombia, and New Zealand, was the interdependent nature of the global economy made it difficult to adopt certain forms of protectionism, i.e., high tariffs on inputs. Instead, these Members

viewed creeping incremental protectionism (e.g., non-tariff barriers) as measures to monitor and prevent.

¶12. Brazil, India, and Hong Kong China also noted with skepticism those measures that are designed to help a domestic industry and are to be temporary in nature. They posit that these measures are more likely to become permanent, and that domestic support for certain industries (autos, chemicals, steel, textiles, footwear) only delays the need to vastly overhaul and restructure and relocate these industries. Hong Kong China pointed to the Multi-Fiber Arrangement as an example of a short-term solution to a particular issue that has taken over thirty years to take apart.

¶13. In his closing statement, DG Lamy said the purpose of this process was becoming clearer - monitoring creates transparency, transparency promotes public scrutiny, and public scrutiny creates pressure which helps discourage protectionism. He urged Members not to fall into the trap of arguing over the definition of protectionism. On services subsidies, he noted that it was already within the negotiating mandate so it is up to Members to reignite work on it. He took on board the various suggestions for improvements to the Secretariat's monitoring reports but did not respond on the specifics. On the \$150 billion figure, he said it was a simple calculation based on duties foregone assuming trade flows remain the same. He said it would be a reduction from the \$250 billion in duties that are currently collected now and compares to the \$500 billion in duties that would be collected if Members applied tariffs at their legal limits under WTO commitments. He offered to arrange a further briefing for any Members that were interested.

¶14. The next report from the DG will be issued in mid-June with a follow-up meeting toward the end of June.

SHARK